



Property & Casualty



RATE & FORM

Rate and Form Review Unit

All insurance companies that operate under a Certificate of Authority to provide property, casualty, surety, mortgage guaranty, or title insurance, are required to file with the Commissioner all policy forms, endorsements, rates, rating plans, rating rules and amendments to these items. The Rate and Form Review Unit reviews these filings to determine compliance with the Insurance Article and regulations. All policy forms require the Commissioner's prior approval before they can be used. Rates require prior approval in some lines, but not in others.

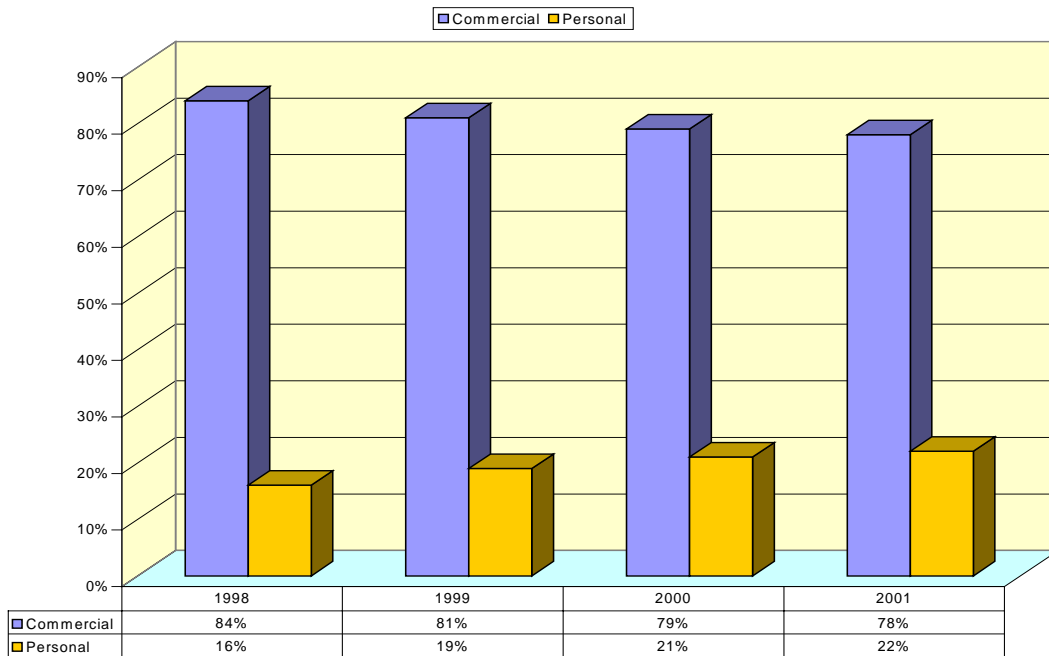
The Insurance Reform Act of 1995 (Competitive Rating) authorized insurers to use rates for certain lines of insurance without prior approval of the Commissioner. These lines are presumed to be within a competitive market. The goal of this Act is to permit insurers in these lines to provide rates that are responsive to competitive market conditions and to improve the availability of insurance in the State. Lines excluded from the Act, i.e., lines that need prior approval by the Commissioner are surety, title, medical malpractice, and insurance provided by the Maryland Automobile Insurance Fund. Because no approval is granted for rates in competitive lines, the insurer may use the rate as soon as it is filed with the Insurance Administration. The Rate and Form Review Unit is responsible for reviewing each filing in

order to ensure the filings are in compliance with the Insurance Article and regulations. These filings may be subject to a hearing if compliance is questioned.

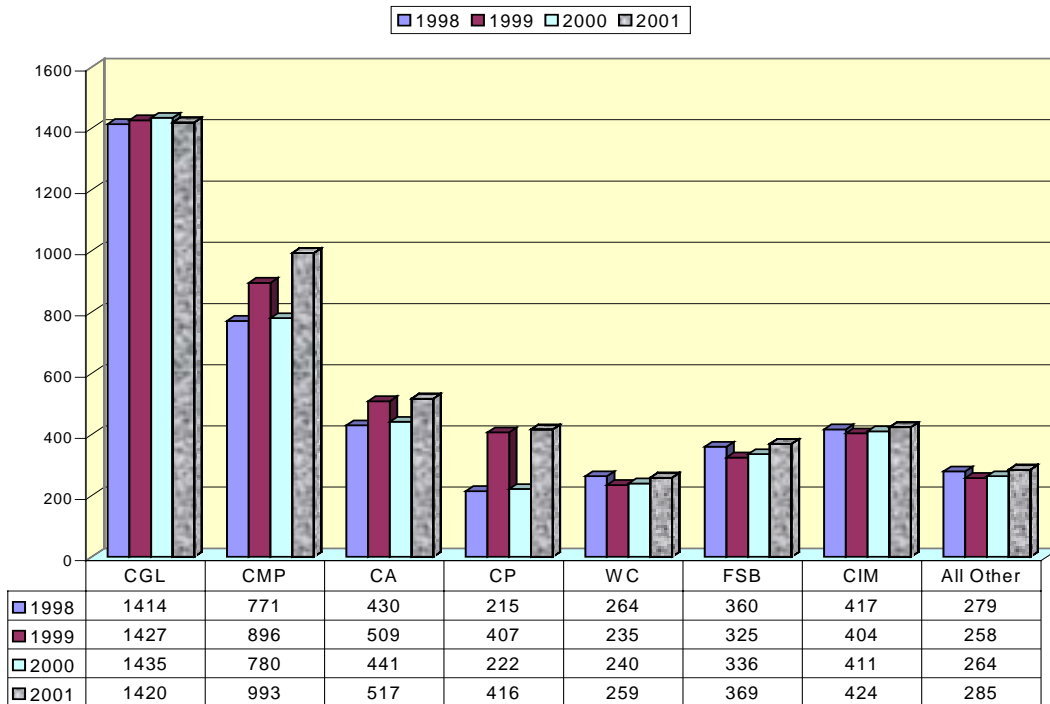
The Rate and Form Review Unit coordinates with the Office of the Chief Actuary to ensure that all rates, rating plans, and rating rules, in all lines, are not excessive, inadequate or unfairly discriminatory. In addition, the Rate and Form Review Unit assists the Consumer Complaint Investigation Section in handling consumer complaints that involve rate changes or coverage questions.

The charts that follow provide an overview of the type of rates and form filings reviewed by the Form Review Unit. In addition, the charts provide a comparison of the distribution of those filings to previous fiscal years.

Distribution of Filings Received by Fiscal Year

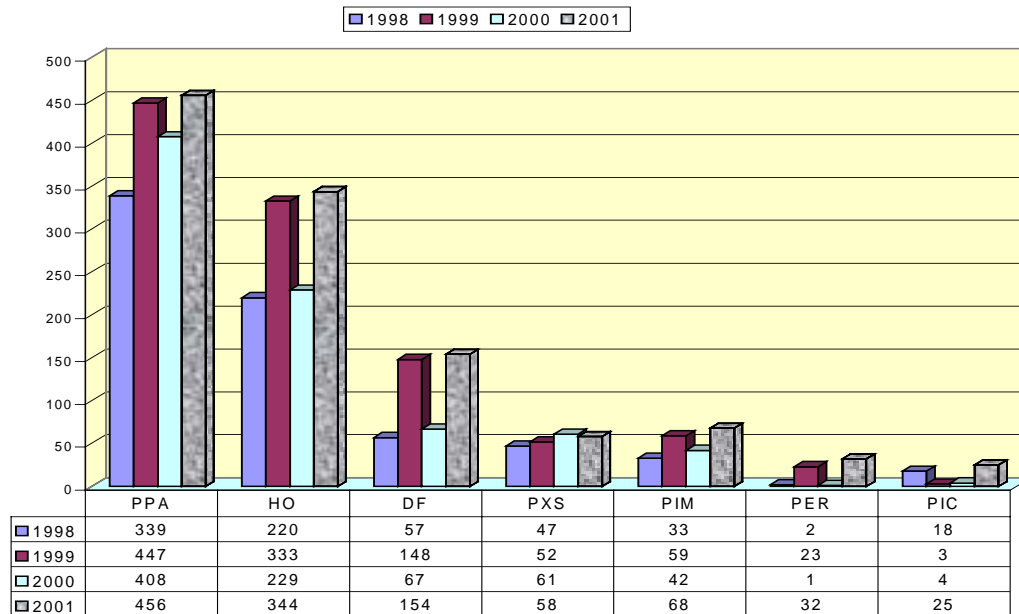


Comparison of the Distribution of Commercial Lines Filings Received From 1998 through 2001



CGL = Commercial General Liability
 CMP = Commercial Multi Peril
 CA = Commercial Automobile
 CP = Commercial Property
 WC = Workers Compensation
 FSB = Fidelity/Surety and Crime
 CIM = Commercial Inland Marine

Comparison of the Distribution of Personal Lines Filings Received From 1998 through 2001



PPA = Personal Automobile
 HO = Homeowners
 DF = Dwelling Fire
 PXS = Personal Excess
 PIM = Personal Inland Marine
 PER = Personal Liability
 PIC = Personal Package (Multi Peril)

Revenue from Rate and Form Filings

Legislation that established the Maryland Insurance Administration as an independent agency also established fees for the filing of rates and forms. The revenue produced from the collection of these fees totaled \$1, 520, 009 for FY 2000 and \$1,531,550 for FY 2001. Photocopying fees from requests for copies of rate and form filings generated \$2,600 in FY 2000 and \$2,500 in FY 2001 in additional revenue.

Premium Finance Companies

A premium finance company must register with the Commissioner before engaging in the business of financing premiums in the State. The Rate and Form Review Unit reviews these registration materials and all contracts used by the company. Premium Finance Companies must renew registrations for licensing every July 1. During FY 2000, 105 premium finance registrations were reviewed and \$5,250.00 was collected in fees. During FY 2001, 93 premium finance registrations were received and \$4,650.00 was collected in fees.

Motor Clubs

Although motor clubs do not engage in insurance business, they are not exempted from the laws relating to insurance or insurance services. The Commissioner regulates the registration of these entities. The Rate and Form Review Unit reviews all motor club contracts and rates used by the clubs and coordinates with the Examination and Auditing Section to assess the requirements for licensing by the Commissioner. In FY 2000 there were 33 motor clubs currently operating in Maryland with 34 operating in FY 2001.

Consumer Information

The Rate and Form Review Unit provides data for the various rate guides the Maryland Insurance Administration provides to consumers. These guides provide valuable information for consumers on such topics as Homeowners Insurance, Personal Automobile Insurance and Workers' Compensation Insurance.

Risk Purchasing Groups

To promote the formation and multistate operation of group liability insurance programs, Congress enacted the Risk Retention Act in 1981 and expanded its scope in 1986. By preempting prohibitive state laws, it was the congressional intent to enable businesses, nonprofit organizations, professionals, and governmental agencies to establish self-insurance pools in the form of risk retention groups and to purchase liability insurance on a group basis through purchasing groups. The Examination and Auditing Section registers and licenses

the risk retention groups. The Rate and Form Review Unit is responsible for the registration of purchasing groups as well as reviewing the rates and forms used by the licensed insurers who provide insurance to the purchasing groups. There were 18 new purchasing groups registered in FY 2000 for a total of 353 purchasing groups doing business in Maryland. Registration fees totaling \$4,100.00 were also collected. In FY

2001, there were 30 new purchasing groups registered for a total of 406 purchasing groups doing business in Maryland. Registration fees totaled \$5,100.

Workers Compensation Insurance

In an effort to stay current on workers' compensation issues important to the insurance industry, the business community and consumers, and Property and Casualty staff members attend committee meetings of the Workers' Compensation Benefit and Insurance Oversight Committee of the Maryland General Assembly. Each November, the Associate Commissioner of Property and Casualty goes before this Oversight Committee and reviews the condition of workers' compensation insurance in the State, and provides information about the effects of competitive rating on this line of insurance.

Other Activities

The Rate and Form Unit developed an electronic Compliance Guide to assist insurers in preparing proposed rate and form filings as well as complying with Maryland laws and regulations.

Community Involvement

During the past two years, staff members of the Rate and Form Review Unit volunteered to participate in numerous outreach programs benefiting Maryland consumers. A few of the events they attended to answer insurance related questions included; the 1999 and 2000 State Fair, the 1999 and 2000 Fall Home & Garden Show, the 1999 and 2000 Anne Arundel County Fair and the 2000 and 2001 Women's Show.

MARKET CONDUCT

Market Conduct Unit

*T*he Property and Casualty Market Conduct Unit performs personal and commercial lines market conduct examinations of insurance companies and premium finance companies pursuant to Section 2-205 of the Insurance Article.

The following is a summary of the two areas:

Insurers

Market Conduct examinations of insurers involve detailed on-site examinations of the underwriting, sales and advertising and claims handling activity of domestic and foreign insurers both within and outside the State of Maryland. A Market Conduct Report is issued after each examination.

FY 2000, the Market Conduct Unit completed examinations of 7 insurers.

As of June 30, 2000, 50 examinations were in progress. The cost of the Market Conduct Examination is borne by the insurer. The cumulative amount billed to the Companies and received in FY 2000 was \$526,046.

As a result of the examinations, administrative penalties in the amount of \$237,200 were assessed against companies and \$163,419 was returned to insureds/claimants.

In FY 2001, the Unit completed examinations of 16 insurers. As of June 20, 2001, 38 examinations were in progress. The cumulative amount billed to companies and received in FY 2001 was \$358,118.29

As a result of the examinations, administrative penalties in the amount of \$311,780 were assessed against companies and \$296,516 was returned to insureds/claimants.

EXAMINATIONS-INSURANCE COMPANIES – FY 2000

Examinations Completed	7
Examinations in Progress	50
Examination Expenses Received	\$526,046
Administrative Penalties Assessed	\$237,200
Money Returned to Maryland Residents	\$163,419

EXAMINATIONS-INSURANCE COMPANIES – FY 2001	
Examinations Completed	16
Examinations in Progress	38
Examination Expenses Received	\$358,118.29
Administrative Penalties Assessed	\$311,780
Money Returned to Maryland Residents	\$296,516

PREMIUM FINANCE

The Market Conduct Unit also examines premium finance companies. The examinations involve detailed on-site review of premium finance companies' compliance with Title 23 of the Insurance Article. This includes the proper execution of contracts, return of money due to the borrower, computation of accurate finance charges, registration with the Insurance Administration, and determination of whether citizens are being burdened with duplicate coverage by insurance agents.

As of June 30, 2001, the Market Conduct Unit had no open examinations of premium finance companies.

AGENTS & AGENCIES

Agent Enforcement Unit

The Property and Casualty Agent and Agency Enforcement Unit became part of the Property and Casualty Section in FY 2000.

The Property & Casualty Agent Enforcement Unit conducts

investigations of individuals and business organizations that hold certificates of qualification as insurance agents/brokers, title insurance agents or bail bondsmen. The following is a summary of the investigations initiated and actions taken during this fiscal year.

FY 2000	
Investigations Completed	182
Investigations in Progress	25
Administrative Penalties Ordered	\$47,250.00
Restitution Ordered	\$282,498.29
Number of License Revocations	29
Number of License Suspensions	0

FY 2001	
Investigations Completed	84
Investigations in Progress	74
Administrative Penalties Ordered	\$167,100.00
Restitution Ordered	\$386,573.00
Number of License Revocations	23
Number of License Suspensions	0

An Agent Enforcement investigation is generated by referrals from consumers, insurers, Motor Vehicle Administration, States' Attorneys and both Federal and state law enforcement agencies. Investigations involve on site visits to the producer's office where

files, bank records and appointment logs are reviewed. An Enforcement Officer prepares the case for administrative hearing and acts as the state's witness at hearing.

Since February 2000, the Enforcement Unit has conducted 25 investigations of title insurance agencies. Prior to that time there was little activity with regard to defalcations of real-estate escrow accounts or the misuse of the funds held in trust.

In early 2000, two title insurance agencies had emergency suspension Orders issued for the revocation of their licenses and were closed. The closings were due to defalcations of the escrow accounts in the amount of \$4.5 million. The MIA was appointed receiver of the first company and the contents of the office were liquidated within 60 days of closing down the business.

A committee comprised of representatives from the MIA, title insurers and title agents was revived during this fiscal year. The purpose of this committee was to identify problems in the title insurance industry in an attempt to limit harm to Maryland consumers. This committee meets on a quarterly basis and has made significant progress in bridging the gap between the regulator and licensees.

During FY 2001, the Agent Enforcement Unit initiated the investigation of several illegal real estate “flipping” transactions that involved the sale of title insurance. One major title insurance agency was issued an Order revoking its license and the licenses of several individual producers who had involvement in the illegal “flip” transactions. Another title insurance agency and a mortgage lender conducted illegal “flip like” real-estate transactions which led to Federal indictments.

The Agent Enforcement Unit also has provided training for title insurance agents and underwriters during the fiscal year. The training focused on what the MIA expects of the title insurance agent and the level of professionalism required when handling a real estate settlement. Continuing Education credits were issued to title insurance agents that participated in this training.